

## Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 SS-20 PM-07 SP-03 SAM-01 EB-11 INR-11

DRC-01 RSC-01 /072 W

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P 191400Z JUL 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 3214

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 4080

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E.O.11652: GDS

TAGS: OVIP(SIMON WILLIAM E)

SUBJECT: SECRETARY SIMON'S MEETING WITH PRIME MINISTER RABIN

1. FOLLOWING REPORT OF CONVERSATION IS UNCLEARED AND SUBJECT TO CHANGE AFTER REVIEW BY SIMON PARTY.

2. SUMMARY: IN JULY 17 MEETING WITH SECRETARY SIMON, PRIME MINISTER RABIN PRESENTED OVERALL PICTURE OF ISRAEL'S CURRENT SITUATION. RABIN NOTED FOUR PROBLEMS CURRENTLY FACING ISRAEL:(A) STRUGGLE TO MOVE TOWARD PEACE, (B) NEED FOR ISRAEL TO DEFEND ITSELF ISREQUIRED, (C) PROBLEM OF MANAGING ECONOMY UNDER ADVERSE CONDITIONS, AND (D) NARROWING SOCIAL AND ECONOMIC GAP BETWEEN ORIENTAL AND EUROPEAN COMMUNITIES IN ISRAEL. RABIN PRAISED U.S. EFFORTS IN HELPING MIDDLE EAST MOVE TOWARD PEACE ANDSAID THAT U.S. AND ISRAEL WOULD CONTINUE PRACTICE OF CLOSE CONSULTATIONS RE NEXT STAGES OF NEGOTIATIONS. RABIN EXPRESSED CONCERN ABOUT SOVIET ARMS SUPPLIES TO ARAB COUNTRIES, NOTING THAT ISRAEL'S PRIMARY MILITARY PROBLEM AT THIS POINT IN TIME IS OBTAINING SUFFICIENT ARMS TO MAINTAIN CURRENT MILITARY BALANCE IN AREA. THIS PROBLEM WAS PLACING TREMENDOUS BURDEN ON ISRAEL'S ECONOMY. RABIN THEN REVIEWED WHAT ISRAEL WAS DOING TO PUT ITS ECONOMIC HOUSE IN ORDER. ISRAEL WOULD NEED, HOWEVER, U.S. ASSISTANCE TO COVER PURCHASE OF ARMS REQUIRED FOR ISRAEL'S DEFENSE. SECRETARY SIMON RESPONDED BY NOTING THAT U.S. AGREED

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THAT PEACE AND ECONOMIC PROGRESS WERE INTERRELATED AND THIS WAS

MESSAGE PRESIDENT INTENDED TO CONVEY BY SENDING SIMON TO MIDDLE EAST. SECRETARY SAID THAT USG WOULD CONSIDER ISRAEL'S AID REQUESTS SYMPATHETICALLY, BUT WARNED OF DIFFICULTIES IN GAINING PUBLIC AND CONGRESSIONAL SUPPORT FOR LARGE SCALE AID REQUESTS. RABIN RAISED DESALINATION ISSUE AND SIMON PROMISED TO GIVE THIS PROBLEM HIS PERSONAL ATTENTION UPON RETURN TO WASHINGTON. RABIN ALSO MADE PITCH FOR ECONOMIC RELATIONS BETWEEN ISRAEL AND ARAB COUNTRIES AS A MEANS OF MODIFYING ATTITUDES AND OVERCOMING POLITICAL BARRIERS. SECRETARY AGREED ON IMPORTANCE OF INTERRELATIONSHIP BETWEEN POLITICS AND ECONOMICS AND, ALTHOUGH HE WAS NOT OPTIMISTIC THAT REGIONAL PROJECTS WERE FEASIBLE AT PRESENT, THAT ALL POSSIBLE OPPORTUNITIES IN MIDDLE EAST IN FIELDS OF ECONOMIC DEVELOPMENT AND ECONOMIC RELATIONS SHOULD BE PURSUED. END SUMMARY.

3. AFTER OPENING AMENITIES, PRIME MINISTER RABIN STATED THAT HE WOULD INITIATE THE OFFICIAL PHASE OF THE SECRETARY'S VISIT TO ISRAEL BY PRESENTING AN OVERALL PICTURE OF ISRAEL'S SITUATION. HE NOTED THAT ISRAEL FACED FOUR BASIC PROBLEMS: (A) THE STRUGGLE TO MOVE TOWARD PEACE; (B) THE STRUGGLE TO BE IN A POSITION TO DEFEND ITSELF IF

REQUIRED; (C) PROBLEM OF MANAGING THE ECONOMY UNDER VERY ADVERSE CONDITIONS; AND (D) PROBLEM OF CLOSING THE SOCIAL AND ECONOMIC GAP WHICH EXISTS BETWEEN THE ISRAELIS OF EUROPEAN AND ORIENTAL ORIGIN.

4. RABIN THEN TURNED TO THE POLITICAL SITUATION. HE PRESENTED A GENERAL DESCRIPTION OF THE EFFORTS IN THE POST-OCTOBER WAR PERIOD, EXPRESSING GREAT GRATITUDE TO THE UNITED STATES AND PRESIDENT NIXON, AND PAYING PARTICULAR TRIBUTE TO SECRETARY KISSINGER'S PERSONAL EFFORTS IN MOVING THE SITUATION FROM WAR TO A CONSOLIDATED CEASEFIRE. RABIN EXPRESSED THE HOPE THAT THE UNITED STATES WILL, IN THE FUTURE, BE EQUALLY SUCCESSFUL IN MOVING THE MIDDLE EAST FROM A SITUATION OF CEASEFIRE TOWARDS PEACE.

5. RABIN NOTED THAT THE POSITION OF THE UNITED STATES IN THE AREA MAKES IT UNIQUELY EQUIPPED TO PLAY THE MAJOR ROLE IN THE SEARCH FOR PEACE. HE ADDED THAT HE AND HIS GOVERNMENT BELIEVED THAT IMPROVEMENT IN U.S. RELATIONS WITH THE ARABS--AS LONG AS IT IS NOT AT THE EXPENSE OF ISRAEL-- IS ALSO IN THE INTEREST

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OF ISRAEL. AS CONCERNS NEXT STEPS TOWARD PEACE, RABIN ADMITTED THAT HE WAS HESITANT TO PREDICT WHERE AND WHEN, BUT NOTED THAT SUCH MOVES MUST BE MADE QUIETLY AND WITH PRUDENCE. HE NOTED THAT THE UNITED STATES AND ISRAEL WOULD CONTINUE THEIR CLOSE AND CONTINUOUS CONSULTATIONS AND TOGETHER WILL DECIDE ON THE NEXT MOVE "WHEN THE TIME IS RIGHT."

6. RABIN THEN EXPLAINED THAT ALTHOUGH ISRAEL WAS HOPING,

INDEED STRIVING FOR PEACE, THE TRAGIC HISTORY OF THE AREA FORCED THE GOI TO CONTINUE TO PREPARE FOR THE CONTINGENCY OF WAR. IN THIS RESPECT, ISRAEL MUST BE GUIDED BY THE FACT THAT THE SOVIET UNION CONTINUES TO PUR GREAT QUANTITIES OF SOPHISTICATED WEAPONS INTO ARAB COUNTRIES. HE ACKNOWLEDGED THE SOVIET SUPPLY OF ARMS TO EGYPT WAS LIMITED, AT LEAST TEMPORARILY, BUT EMPHASIZED THAT STATES SUCH AS SYRIA AND IRAQ WERE GETTING ALL THE EQUIPMENT THEY COULD POSSIBLY WANT. RABIN THEN SUMMARIZED ISRAEL'S MILITARY REQUIREMENT IN FAMILAR TERMS, NOTING THE REQUIREMENT FOR ISRAEL TO MAINTAIN A RATION OF 1 TO 3 WITH THE ARABS IN TERMS OF MAJOR EQUIPMENT.

7. RABIN CONTINUED BY EMPHASIZING THAT ISRAEL'S MILITARY PROBLEM IS OBTAINING ARMS. IT DOES NOT EXPECT OTHER PEOPLE TO DEFEND HER, AND HE EMPHASIZED THE "FANTASTIC PRICES" OF THE NEW REQUIREDWEAPONS SYSTEMS. HE THEN DESCRIBED AGAIN IN FAMILIAR TERMS, THE HEAVY DEFENSE BURDEN ON THE ISRAELI ECONOMY, UNDERLINING THE EXPECTD BOP DEFICIT THIS YEAR OF \$3 BILLION. HE NOTED THAT ISRAEL IS MAKING A SERIOUS ATTEMPT TO PUT ITS ECONOMIC HOUSE IN ORDER WITH THE AIM OF ENSURING THAT IT IS DOING EVERYTHING IT CAN DO FOR ITSELF BEFORE ASKING FOR AID FROM FRIENDS. HE BRIEFLY REFERRED TO THE RECENTLY ENACTED ECONOMIC REFORM PACKAGE WHICH WILL REQUIRE ADDITIONAL DIFFICULT SACRIFICES ON THE PART OF THE ISRAELIS, WITH A SPECIFIC REFERENCE TO THE KEY ROLE OF THE CONSTRUCTION INDUSTRY IN THE ISRAELI ECONOMY AND THE EFFORTS WHICH THE GOVERNMENT WAS MAKING TO LIMIT ITS ACTIVITIES AND TO ENSURE THAT SCARCE RESOURCES WERE BEING APPLIED TO THE HIGHEST PRIORITIES. RABIN ADDED THAT DESPITE ECONOMIC SACRIFICES REQUIRED OF ISRAEL, HIS GOVERNMENT WAS DETERMINED THAT IT HAD TO RAISE THE STANDARD OF LIVING OF THE "POOR CLASSES"(SYNONYMOUS WITH THE ORIENTAL COMMUNITY).

8. RABIN NOTED THAT HE BELIEVED IT NECESSARY TO EXPLAIN IN SOME CONFIDENTIAL

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DETAIL WHAT ISRAEL WAS DOING FOR ITSLEF ECONOMICALLY BEFORE COMING TO WHAT HE DESCRIBED AS THE BASIC ISSUE CONCERNING ISRAEL AND THE UNITED STATES IN THE ECONOMIC FIELD--ISRAEL'S NEED TO OBTAIN ASSISTANCE TO COVER THE PURCHASE OF ARMS REQUIRED FOR ISRAEL'S DEFENSE. HE EXPRESSED GRATITUDE TO THE PRESIDENT AND TO THE UNITED STATES FOR THE \$2.2 BILLION WHICH COVERED THE EXTRAORDINARY ARMS COSTS OF THE WAR, EMPHASIZING HOWEVER, THAT THIS AMOUNT ONLY COVERED MILITARY PURCHASES AND NOTING THAT THE OTHER HEAVY ECONOMIC COSTS OF THE WAR WERE COVERED BY ISRAEL. HE AGAIN STATED THAT ISRAEL'S REQUEST FOR AID HAD TO BE SEEN AGAINST ITS PROJECTED ANNUAL BOP DEFICIT OF \$3 BILLION. AT THIS POINT, RABIN STATED THAT 100 PERCENT AMERICAN SUPPORT OF ISRAEL DURING AND AFTER THE WAR "OPENED THE GATES TO CAIRO AND DAMASCUS FOR U.S. INFLUENCE" SINCE THIS CONVINCED THE ARABS THAT THE UNITED STATES AND NOT THE SOVIET UNION, WAS

THE REAL MAJOR POWER IN THE AREA WITH WHOM THE ARABS MUST DEAL. THEREFORE, SAID RABIN, MAKING ISRAEL STRONGER HAS ALREADY PROVED TO BE A VERY GOOD INVESTMENT BY THE UNITED STATES WHICH HAS ALREADY PAID BIG DIVIDENDS.

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ACTION NEA-16

INFO OCT-01 ISO-00 SS-20 PM-07 SP-03 SAM-01 EB-11 INR-11

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9. RABIN SUMMED UP BY NOTING THAT THE FOUR PROBLEMS HE HAD ALLUDED TO AT THE BEGINNING OF HIS COMMENTS WERE THE "CORE OF ISRAEL'S EXISTENCE." ISRAEL IS UNDER NO ILLUSIONS WITH RESPECT TO THE DIFFICULTIES OF THE FUTURE, ALTHOUGH ISRAEL'S MOST FERVENT HOPE IS THAT REAL PEACE COMES TO THE AREA, WHICH WOULD ALLOW DIVERSION OF RESOURCES CURRENTLY GOING INTO ARMS ON ALL SIDES TO CONSTRUCTIVE DEVELOPMENTS IN THE INTERESTS OF ALL PEOPLES CONCERNED.

10. SECRETARY SIMON EXPRESSED HIS APPRECIATION TO THE PRIME MINISTER FOR HIS COMPLETE AND INCISIVE PRESENTATION. HE NOTED THAT THE UNITED STATES CERTAINLY AGREED THAT PEACE AND ECONOMIC PROGRESS WERE INTERRELATED. INDEED, THIS WAS THE MESSAGE WHICH THE PRESIDENT HAD INTENDED TO CONVEY BY SENDING HIM TO THE MIDDLE EAST. SECRETARY SIMON COMMENTED ON THE STRONG AND CONTINUOUS ISRAELI-U.S. RELATIONS TO WHICH HE HOPED HIS VISIT WOULD MAKE A SIGNIFICANT CONTRIBUTION. HE ASSURED THE PRIME MINISTER OF THE SYMPATHY AND ADMIRATION FOR ISRAEL IN THE U.S. GOVERNMENT AND IN THE U.S. GENERALLY.

11. AS CONCERNS ISRAEL'S REQUEST FOR ASSISTANCE, SECRETARY SIMON NOTED THAT THESE REQUESTS WOULD, OF COURSE, BE CONSIDERED WITH

THE UTMOST SYMPATHY BY THE ADMINISTRATION. HE ADDED, HOWEVER, THE HE WOULD BE REMISS IF HE DID NOT MENTION THE PROBLEMS IN THE UNITED STATES CONCERNING THE ATTITUDE OF THE AMERICAN PEOPLE AND THE CONGRESS WITH RESPECT TO FOREIGN AID. A GOOD CASE IN POINT, HE  
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NOTED WAS THE LONG DIFFICULT IDA REPLENISHMENT EXERCISE. THE MESSAGE IS VERY CLEAR. FUTURE AID REQUESTS WILL REQUIRE UNPRECEDENTED CLEAR, FORCEFUL SUPPORTING EVIDENCE IN ORDER TO CONVINCE THE AMERICAN PEOPLE AND THE CONGRESS THAT THEY ARE WARRANTED. THE LARGER THE AID REQUEST OF COURSE THE MORE IMPORTANT IS SUCH SUPPORTING MATERIAL.

12. TURNING TO OTHERASPECTS OF HIS VISIT, THE SECRETARY NOTED THAT HE WAS LOOKING FORWARD TO HIS MEETINGS WITH FINANCE MINISTER RABINOWITZ AND OTHER ISRAELI MINISTERS AND WAS PLEASED TO HAVE OPPORTUNITY TO INITIATE, DURING HIS BRIEF VISIT, THE MOMENTUM REQUIRED TO IMPLEMENT THE VARIOUS POINTS IN THE JOINT STATEMENT OF JUNE 17. THE SECRETARY ASSURED THE PRIME MINISTER OF THIS PERSONAL COMMITMENT TO THIS PARTICULAR END.

13. PRIME MINISTER RABIN THENNOTED HIS OWN LONG-STANDING PERSONAL INTEREST INACTUALLY OBTAINING THE DESALINATION COOPERATION REFERRED TO IN THE JOINT STATEMENT, REMARKING ON HIS OWN EFFORTS IN THE FIELD WHEN AMBASSADOR IN THE UNITED STATES. THE SECRETARY REPLIED THATHE WAS WELL AWARE OF THE LONG HISTORY OF OUR PROPOSED COOPERATIVE PROJECT.AT A LATER POINT IN THE CONVERSATION, RABIN AGAIN RAISED THE SUBJECT OF DESLAINATION IN THE CONTEXT OFTHE GENERAL PROBLEM OF WATER WITH RESPECT TO THE FUTURE OF ISRAEL, COMMENTING BRIEFLY ON ISRAEL'S INTEGRATED WATER SYSTEM AND THE

LIMITATIONS WATER POSES FOR DEVELOPMENT IN ISRALE AND THE POTENTIAL FOR ABSORPTION OF IMMIGRANTS TO WHICH ISRAEL IS COMMITED. THE SECRETARY ASSURED THE PRIME MINISTERTHAT HE WOULD PERSONALLY LOOK INTO THE MATTER UPON HIS RETURN TO THE UNITED STATES.

14. RABIN THEN RAISED THE SUBJECT OF THE ROLE OF ECONOMIC DEVELOPMENT WITHIN THE COUNTRIES OF THE MIDDLE EAST AND ECONOMIC RELATIONS AMONG THEM AS A MEANS OF MODIFYING ATTITUDES AND OVERCOMING "POLITICAL BARRIERS" BETWEEN PEOPLES. HE BELIEVED IT WAS IMPORTANT THAT THE POTENTIAL FOR SUCH DEVELOPMENTS BE SERIOUSLY EXPLORED. (HE DESCRIBED WITH REGRET THE DISCONTINUANCE AFTER THE '67 WAR BY THE GOVERNMENT OF JORDAN OF A PROJECT DESIGNED TO USE THE JORDAN WATERSTO RECLAIM LAND ANDRESETTLE PALESINTIAN REFUGEES, NOTHING THAT EVEN IF THIS HAD BEEN CONTINUED SOLELY ON THE EASTBANK IT WOULD BY NOW HAVE HAD A USEFUL IMPACT). HE STATED THATHE HAD FAITH IN THE POWER OFECONOMIC DEVELOPMENT  
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IN ARAB LANDS TO HAVE LONG-TERM EFFECT ON ARAB ATTITUDES.

15. THE SECRETARY AGREED THAT THE INTERRELATIONS OF POLITICS AND ECONOMICS WAS MOST IMPORTANT. HE NOTED THAT ECONOMIC DEVELOPMENT, HOWEVER, BY ITS NATURE DOES NOT LEND ITSELF TO "SPECTACULAR HAPPENINGS," RATHER IT TAKES TIME FOR THE EFFECTS TO BE FELT. UNFORTUNATELY, OFTEN POLITICIANS DO NOT HAVE THE PATIENCE OR INCLINATION TO WAIT. HE ADDED, HOWEVER, THAT HE BELIEVES WE SHOULD PURSUE ALL FEASIBLE OPPORTUNITIES IN THE MIDDLE EAST IN THE FIELD OF ECONOMIC DEVELOPMENT AND ECONOMIC RELATIONS. REALISTICALLY, HOWEVER, HE THOUGHT THAT UNFORTUNATELY THERE APPEARED TO BE LIMITS TO THE ACCEPTABILITY OR FEASIBILITY OF INITIATING CERTAIN PROJECTS. THE PRIME MINISTER REPLIED THAT HE APPRECIATED THE SECRETARY'S APPRAISAL AND REITERATED HIS BELIEF THAT ECONOMICS SHOULD BE HARNESSSED TO OUR SEARCH FOR PEACE IN THE MIDDLE EAST.

16. IN CONCLUSION, THE PRIME MINISTER PAID TRIBUTE TO PRESIDENT NIXON AND EXPRESSED HIS APPRECIATION FOR, AND GREAT SATISFACTION WITH BOTH THE CONTENT AND STYLE OF U.S.-ISRAELI RELATIONS, DESCRIBING THEM AS INTIMATE AND SINCERE. THE SECRETARY REPLIED THAT THIS SPECIAL RELATIONSHIP WILL CONTINUE AND WILL BECOME EVEN MORE FRUITFUL, AND TO THIS END HE PLEDGED HIS OWN EFFORTS.  
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